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FOR EB/IFD, EB/ESC/IEC - MAUEL, HAENDLER, HAYMOND
ENERGY FOR POLICY & INT'L AFFAIRS GWARD, SBROWNE

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TAGS: [EFIN](#) [EPET](#) [ECON](#) [EAID](#) [ENRG](#) [PGOV](#) [PREL](#) [TD](#)
SUBJECT: TRINIDAD'S EITI IMPLEMENTATION IS ON HOLD

REF: (A) STATE 75118 (NOTAL), (B) 06 POS 117,

(C) 07 POS 21

SENSITIVE BUT UNCLASSIFIED - HANDLE ACCORDINGLY

[1](#)1. (SBU) This is an action request for State/EEB/ESC - see paragraph 8.

[1](#)2. (SBU) SUMMARY. The GOTT has reportedly done the groundwork to prepare Trinidad & Tobago's candidacy for the Extractive Industries Transparency Initiative (EITI), but the effort came to a stop in mid-2006, when Cabinet ministers voiced concern that T&T's reputation would suffer by association with other EITI candidates and discomfort with the role of international NGOs in the initiative. EITI Board Chairman Eigen's letter to Prime Minister Manning will not overcome these reservations. The Finance Ministry official who has led EITI implementation to date recommends that developed country sponsors and international oil companies in T&T make a joint approach to the Prime Minister. Post concurs with this advice and seeks Washington guidance on whether and how to act on it. END SUMMARY.

[1](#)3. (SBU) EconChief confirmed with UK High Commission DCM that ref (A) letter on the Extractive Industries Transparency Initiative (EITI) from EITI Board Chairman Peter Eigen was delivered to Prime Minister Patrick Manning during the week of May 28. Christine Sahadeo, the minister in the Ministry of Finance who has led EITI implementation, told EconChief that she too had seen the letter.

EITI Implementation Remains on Hold

[1](#)4. (SBU) GOTT implementation of EITI had significant momentum in early 2006, to the point that a draft work plan and proposed nomination of a senior-level individual to lead implementation were referred to the Cabinet-level Standing Committee on Energy. According to Minister Sahadeo, the draft work plan focuses on the petroleum sector but could be expanded to cover liquefied natural gas and gas-based petrochemicals, which have overtaken petroleum as the principal sources of export revenue.

[1](#)5. (SBU) GOTT work on EITI came to a halt when other Cabinet ministers expressed concern that signing up for EITI could damage T&T's reputation as an investor-friendly, industrializing nation by associating T&T with considerably less developed and less transparent oil and gas producers. Sahadeo also cited concern among Cabinet ministers over the role of international NGOs in the EITI, commenting that while the GOTT "has no problem with dialogue," it draws the line at "NGOs that attempt to dictate government policy."

[1](#)6. (SBU) Sahadeo asserted that if the Cabinet decides to move

forward with EITI, T&T would be in a position to make rapid progress on its candidacy and implementation. However, based on EconChief's conversation with her, Post does not believe the Eigen letter alone will revive EITI in Trinidad & Tobago. While Sahadeo herself remains interested in the initiative, she suggested to EconChief that developed-country sponsors and international oil companies active in T&T consider approaching Prime Minister Manning to overcome GOTT reservations about the initiative.

¶7. (SBU) COMMENT: T&T appears well equipped to lead by example in EITI, based on its relative transparency and success in leveraging natural resources for development. Moreover, as the GOTT reaches out to developing oil and gas producers (see para. 21), having T&T solidly on board with the EITI would reinforce the message that transparency is a key ingredient in the recipe for success. A quiet withdrawal from the initiative, on the other hand, would be a missed opportunity for both T&T and the EITI. Minister Sahadeo has demonstrated commitment to the EITI. Post concurs with her advice on making a joint approach to Prime Minister Manning. END COMMENT.

¶8. ACTION REQUEST: Post requests guidance on whether and how to formulate a joint approach by government and industry sponsors of EITI. Post believes this could be coordinated on the ground in Trinidad, perhaps in the form of a joint letter, but complementary outreach from Washington to others on the EITI Board would also be needed to get a consensus among the governments and organizations whose representatives in Trinidad would sign such a letter.

GOTT relations with stakeholders

¶9. (SBU) All of the major international oil companies operating in T&T support EITI: British Petroleum (bpTT), British Gas (BG Group), Repsol YPF, BHP Billiton, ChevronTexaco, and Talisman. These companies enjoy positive, constructive relations with the GOTT. When the EITI got underway, these companies gave the South Trinidad Chamber of Industry and Commerce (STCIC) a green light to engage with the GOTT on their behalf in support of the EITI and sent STCIC CEO Thackwray Driver to represent them at several international EITI gatherings. Industry focus on EITI has waned since GOTT implementation efforts stopped, but Driver told EconChief recently he believes they would be willing to re-engage, provided all of the companies act together.

¶10. (SBU) The weak point in T&T's capacity to implement an EITI work plan is the absence of constructive dialogue with relevant civil society organizations. The GOTT has an uneasy relationship with Transparency International (TI) and is not always adept at handling NGO criticism. Ruling party sensitivities are likely to increase in the run-up to parliamentary elections, which observers expect to be called for November or December this year.

¶11. (SBU) When TI released its 2006 Corruption Perceptions Index (CPI), GOTT ministers publicly chafed at the fact that T&T's ranking had slipped steadily since former government ministers from both ruling and opposition parties were charged with financial misconduct. GOTT ministers complained of being penalized rather than getting credit for bringing high profile corruption cases to light and prosecuting them in the courts. In response, then head of TI's local chapter Reginald Dumas precipitated a public spat with Housing Minister Keith Rowley by criticizing the GOTT for not conducting public consultations on housing projects.

¶12. (SBU) Soon after the spat with TI, the GOTT lost face in a confrontation with local environmental activists opposed to Alcoa's planned aluminum smelter (reftel C), a project identified closely with PM Manning. Alternately ignoring and rising to the bait of the activists' aggressive tactics, in the end the GOTT pulled the plug on the planned industrial estate where the Alcoa smelter was to be constructed, leading observers to conclude that the activists had forced an unprecedented change in GOTT industrial development plans.

¶13. (SBU) While Reginald Dumas' April 2007 resignation from the local TI chapter has given his successor Victor Hart an opportunity to develop a more constructive relationship with the GOTT, Post believes these episodes have reinforced perceptions among

ruling-party ministers that NGO agendas are motivated by partisan politics, particularly in this election year.

Energy Sector Background

¶14. (SBU) International oil companies are responsible for virtually all oil and gas production, as well as processing and export of liquefied natural gas (LNG). GOTT-owned companies operate T&T's aging refinery and control the supply of gas and petroleum products to industrial and retail consumers, as well as exports of refined products to import-dependent Caribbean neighbors.

¶15. (SBU) T&T has attracted significant investment in capital-intensive on-shore industries over the last fifteen years, transforming the country from a waning oil producer into a significant exporter of natural gas and petrochemicals and a growing center for gas-based industries. T&T provides roughly 70% of U.S. imports of liquefied natural gas (LNG) and significant shares of U.S. imports of ammonia and methanol. While using state-owned companies to pioneer some of these areas, the GOTT has then generally stepped aside to let foreign companies take the lead, strongly encouraging but not coercing those companies to hire and train T&T nationals at all levels of their operations.

Energy and Fiscal Transparency

¶16. (SBU) The GOTT routinely reports aggregate oil and gas revenues, both in parliamentary budget proceedings and in annual reports available on the Ministry of Finance website (<http://www.finance.gov.tt>). At the company level, Finance Ministry officials note that confidentiality rules apply to individual corporate tax returns and contracts. While anti-smelter activists fault the GOTT for not publishing the prices at which gas is offered to major industrial projects, GOTT officials point out that disclosing that level of detail would violate confidentiality clauses and disadvantage the GOTT in future negotiations with prospective investors.

¶17. (SBU) Industry contacts praise the GOTT for transparency in publishing oil and gas reserve estimates and having them audited by independent U.S. consultant Ryder Scott. While this is aimed primarily at giving certainty to foreign investors, it also has

facilitated vigorous public debate over the GOTT strategy of encouraging investment into gas-based industries and downstream manufacturing.

¶18. (SBU) T&T's modest reserves, combined with memories of the oil boom/bust of the 1970s and '80s, prompted the GOTT to enact legislation in March 2007 establishing a Heritage and Stabilization Fund (HSF), developed after studying international best practices. The legislation includes formulas for minimum deposits of surplus energy sector revenues, clear conditions on withdrawals for revenue stabilization, and rules designed to ensure that T&T will have a stream of investment income to replace oil and gas revenues when reserves are depleted. While the HSF board has not yet been appointed, the GOTT has so far deposited US\$1.5 billion in the fund.

¶19. (SBU) The more pressing transparency issues in T&T are on the expenditure side. Decision-making on major projects is often opaque, with a recent proliferation of special purpose companies that are not subject to standard tender requirements. The current government has promised but never formulated legislation to reform government procurement. In fact, Prime Minister Manning recently brushed off calls for procurement reform, suggesting that it would only slow needed infrastructure spending.

GOTT Giving and Receiving Advice

¶20. (SBU) As a middle income country with one of the highest sovereign credit ratings in the Western Hemisphere, T&T is neither a

significant recipient of ODA nor a borrower from international financial institutions. Nevertheless it actively cooperates with the IFIs, and it made use of World Bank technical assistance in formulating its Heritage and Stabilization Fund.

¶21. (SBU) It is worth noting that the GOTT also has begun providing technical assistance to other developing country oil and gas producers, geared toward helping governments negotiate on an equal footing with international oil companies and replicate T&T's success in attracting investment into gas-based industries. Prime Minister Manning announced this initiative during a February 2007 speech to the African Union in Addis Ababa. Since then the GOTT received delegations from Equatorial Guinea and dispatched T&T experts to provide advice to governments in Chad and Belize. While the GOTT does not envisage offering advice on fiscal transparency, the officials involved acknowledge that transparency will have a bearing on other countries' success in following the Trinidad & Tobago model.

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